Buckner International and Subsidiaries

Consolidated Financial Report
December 31, 2020

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Assurance • Tax • Advisory

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Independent Auditor's Report

To the Board of Trustees of
Buckner International and Subsidiaries

We have audited the accompanying consolidated financial statements of Buckner International and Subsidiaries (collectively, Buckner), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Trustees of
Buckner International and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buckner International and Subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
May 11, 2021

Buckner International and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
ASSETS		
Cash and cash equivalents	$ 30,950,384	$ 25,890,560
Investments	405,204,757	393,298,112
Assets whose use is limited	21,576,856	43,832,553
Receivables, net	9,145,834	6,587,190
Pledges and bequests receivable, net	748,788	1,099,653
Inventories and supplies	193,195	230,079
Notes receivable	7,702,200	7,702,200
Prepaid expenses	317,748	569,532
Other assets	4,204,863	5,028,223
Revenue bond proceeds held by trustee	17,269,011	29,109,842
Real estate held for investment	1,747,011	1,810,971
Property and equipment, net	402,663,267	406,633,521
TOTAL ASSETS	$ 901,723,914	$ 921,792,436
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 1,766,848	$ 3,754,589
Retainage payable	-	4,505,823
Accrued liabilities	10,716,785	8,275,709
Lines of credit	1,100,000	1,100,000
Revenue bonds payable, net	308,563,269	335,721,554
Notes payable	23,586,573	20,556,360
Resident deposits	2,106,745	2,345,590
Refundable fees	104,334,411	92,244,209
Deferred revenue from advance fees	16,191,143	14,190,988
Annuity and life income fund liability	4,841,622	4,845,984
Other	5,176,780	6,305,458
Total liabilities	478,384,176	493,846,264
NET ASSETS		
Without Restrictions	281,504,561	284,385,463
With Restrictions	141,835,177	143,560,709
Total net assets	423,339,738	427,946,172
TOTAL LIABILITIES AND NET ASSETS	$ 901,723,914	$ 921,792,436

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Buckner International and Subsidiaries
Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
REVENUES						
Client support and related income	$ 85,364,257	$ -	$ 85,364,257	$ 80,435,943	$ -	$ 80,435,943
Investment income	26,943,857	887,462	27,831,319	28,162,744	1,000,194	29,162,938
Contributions						
Baptist General Convention of Texas	386,263	-	386,263	407,803	-	407,803
Individual and business gifts	11,682,794	1,339,134	13,021,928	12,036,394	1,814,841	13,851,235
Bequests	1,452,979	-	1,452,979	647,951	-	647,951
Gain on sales of real estate held for investment	38,480	-	38,480	2,535,360	-	2,535,360
Other	3,749,136	-	3,749,136	729,904	-	729,904
Net assets released from restrictions	3,212,134	(3,212,134)	-	4,918,863	(4,918,863)	-
Total revenues	132,829,900	(985,538)	131,844,362	129,874,962	(2,103,828)	127,771,134
EXPENSES						
Salaries and benefits	69,957,433	-	69,957,433	64,421,815	-	64,421,815
Supplies and direct expenses	25,603,380	-	25,603,380	24,477,649	-	24,477,649
Occupancy and insurance	16,172,071	-	16,172,071	14,921,132	-	14,921,132
Travel and transportation	875,481	-	875,481	2,536,163	-	2,536,163
Administration	11,377,863	-	11,377,863	11,414,913	61,004	11,475,917
Depreciation	13,793,271	-	13,793,271	10,319,296	-	10,319,296
Interest expense	18,545,254	-	18,545,254	9,644,831	-	9,644,831
Bad debt expense	246,612	-	246,612	204,429	-	204,429
Total expenses	156,571,365	-	156,571,365	137,940,228	61,004	138,001,232
Change in net assets from operations	(23,741,465)	(985,538)	(24,727,003)	(8,065,266)	(2,164,832)	(10,230,098)
NONOPERATING ITEMS						
Net realized and unrealized gains (losses) on investments	18,588,371	(961,816)	17,626,555	43,220,210	17,321,117	60,541,327
Other, net	2,272,192	221,822	2,494,014	(15,212,833)	46,175	(15,166,658)
Change in net assets	(2,880,902)	(1,725,532)	(4,606,434)	19,942,111	15,202,460	35,144,571
NET ASSETS, beginning of year	284,385,463	143,560,709	427,946,172	264,516,926	128,358,249	392,875,175
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	-	-	(73,574)	-	(73,574)
NET ASSETS, end of year	$ 281,504,561	$ 141,835,177	$ 423,339,738	$ 284,385,463	$ 143,560,709	$ 427,946,172

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Buckner International and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (4,606,434)	$ 35,144,571
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,793,271	10,319,296
Bad debt expense	246,612	204,429
Amortization	(1,096,999)	(1,212,244)
Accretion expense and ARO revisions	35,543	34,003
Gain on sales of real estate held for investment	(38,480)	(2,535,360)
Gain on sale or disposal of facility assets	(2,248,334)	(972,128)
Net realized and unrealized gains on investments	(17,626,555)	(60,541,327)
Changes in operating assets and liabilities:		
Assets whose use is limited	4,098,966	18,113,271
Receivables	(2,454,391)	1,306,760
Inventories and supplies	36,884	(2,168)
Prepaid expenses	251,784	(434,914)
Other assets	823,360	(4,787,391)
Accounts payable	(6,493,564)	(13,151,238)
Accrued liabilities	2,441,076	2,731,877
Resident deposits	(238,845)	31,848
Refundable fees	12,090,202	65,753,305
Deferred revenue from advance fees	2,515,099	13,063,872
Annuity and life income fund liability	(156,578)	-
Other liabilities	(1,164,221)	3,342,343
Net cash provided by operating activities	208,396	66,408,805
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(10,053,778)	(60,716,662)
Decrease in revenue bond proceeds held by trustee	6,553,989	51,442,852
Purchases of investments	(21,752,140)	(22,730,552)
Proceeds on sales or redemptions of investments	26,943,536	30,717,856
Proceeds from sales of real estate held for investment	2,494,013	3,636,840
Net cash provided by investing activities	4,185,620	2,350,334
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revenue bonds payable and notes payable	3,410,500	9,124,982
Payments on revenue bonds payable and short-term notes payable	(26,971,435)	(46,704,935)
Net cash used in financing activities	(23,560,935)	(37,579,953)
Net change in cash and cash equivalents	(19,166,919)	31,179,186
CASH AND CASH EQUIVALENTS, beginning of year	72,726,829	41,547,643
CASH AND CASH EQUIVALENTS, end of year	$ 53,559,910	$ 72,726,829
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents	$ 30,950,384	$ 25,890,560
Restricted cash included in assets whose use is limited	21,570,686	43,832,553
Restricted cash included in revenue bond proceeds held by trustee	1,038,840	3,003,716
Total cash and cash equivalents	$ 53,559,910	$ 72,726,829
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ 18,654,045	$ 21,073,269

The Notes to Consolidated Financial Statements are an integral part of these statements.

Buckner International and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Ministry Activities							Supporting Activities			
	Foster Care and Adoption	Family Hope Centers	Family Pathways	Ministry Engagement	International Ministries	Senior Care Services	Total Ministry Activities	General and Administration	Fundraising	Total Supporting Activities	Total Expenses
Salaries and benefits	$ 6,294,837	$ 6,780,997	$ 2,335,152	$ 2,894,847	$ 725,725	$ 40,358,748	$ 59,390,306	$ 8,401,795	$ 2,165,332	$ 10,567,127	$ 69,957,433
Supplies and direct expenses	4,398,139	898,938	822,163	851,392	3,716,908	12,080,050	22,767,590	34,943	2,800,847	2,835,790	25,603,380
Occupancy and insurance	1,108,881	1,167,318	913,862	515,553	72,497	10,234,650	14,012,761	2,123,608	35,702	2,159,310	16,172,071
Travel and transportation	179,405	138,159	36,764	95,266	32,710	266,125	748,429	95,560	31,492	127,052	875,481
Administration	419,729	520,164	219,157	337,693	118,827	5,587,299	7,202,869	3,109,220	1,065,774	4,174,994	11,377,863
Depreciation	115,663	619,735	917,235	257,402	-	11,628,727	13,538,762	254,509	-	254,509	13,793,271
Interest expense	-	-	-	-	-	18,352,798	18,352,798	192,456	-	192,456	18,545,254
Bad debt expense	-	-	-	-	-	246,612	246,612	-	-	-	246,612
TOTAL EXPENSES	$ 12,516,654	$ 10,125,311	$ 5,244,333	$ 4,952,153	$ 4,666,667	$ 98,755,009	$ 136,260,127	$ 14,212,091	$ 6,099,147	$ 20,311,238	$ 156,571,365

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Buckner International and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Ministry Activities							Supporting Activities			
	Foster Care and Adoption	Family Hope Centers	Family Pathways	Ministry Engagement	International Ministries	Senior Care Services	Total Ministry Activities	General and Administration	Fundraising	Total Supporting Activities	Total Expenses
Salaries and benefits	$ 5,976,705	$ 6,560,722	$ 2,182,306	$ 2,853,807	$ 518,052	$ 35,004,213	$ 53,095,805	$ 7,540,129	$ 3,785,881	$ 11,326,010	$ 64,421,815
Supplies and direct expenses	5,469,513	774,236	889,494	2,208,142	3,308,453	9,887,546	22,537,384	5,005	1,935,260	1,940,265	24,477,649
Occupancy and insurance	832,459	1,333,651	1,118,901	595,423	83,946	9,045,681	13,010,061	1,858,396	52,675	1,911,071	14,921,132
Travel and transportation	471,103	523,267	126,238	508,978	65,281	344,853	2,039,720	290,767	205,676	496,443	2,536,163
Administration	488,639	641,758	257,917	443,341	137,427	4,898,718	6,867,800	2,612,656	1,995,461	4,608,117	11,475,917
Depreciation	112,250	396,614	910,307	255,268	-	8,314,946	9,989,385	329,911	-	329,911	10,319,296
Interest expense	-	-	-	-	-	9,594,979	9,594,979	49,852	-	49,852	9,644,831
Bad debt expense	-	-	-	-	-	204,429	204,429	-	-	-	204,429
TOTAL EXPENSES	$ 13,350,669	$ 10,230,248	$ 5,485,163	$ 6,864,959	$ 4,113,159	$ 77,295,365	$ 117,339,563	$ 12,686,716	$ 7,974,953	$ 20,661,669	$ 138,001,232

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Note 1. Nature of Operations and Principles of Consolidation

Buckner International (Buckner) is a Texas not-for-profit corporation that has been caring for families, needy children, and the elderly since 1879. One-fourth of Buckner's Board of Trustees is elected by the Baptist General Convention of Texas with the remaining three-fourths appointed by Buckner's Board of Trustees.

Effective January 1, 2010, Buckner Retirement Services, Inc. (BRS) acquired Baptist Memorials Ministries (BMM). BMM is a 501(c)(3) not-for-profit corporation that provides health care, housing and other related services to residents through the operation of a continuing care retirement community in San Angelo, Texas. BRS is the sole member and approves the nomination and placement of the Board of Directors for BMM.

Buckner Senior Living, Inc. (BSL), a Texas not-for-profit corporation, was established in December 2012 to develop and operate a Life Plan Continuum Care Retirement Community located in Dallas, Texas. BSL was established in order to expand its affiliate's mission of providing quality housing, health care services and other programs to senior citizens. BRS is the sole member and elects the Board of Directors for BSL. BSL is exempt from Federal income taxation under 501(c)(3) of the Internal Revenue Code.

Buckner FHC-Bachman Lake (BBL), a Texas not-for-profit corporation, was established in October 2018 as a result of a new markets tax credit arrangement entered into by BCFS, discussed further in Note 10. BBL is exempt from federal income taxation under 501(c)(3) of the Internal Revenue Code.

Buckner consolidates the following not-for-profit corporations:

- Buckner International
- Buckner Children and Family Services, Inc. (includes subsidiaries - Rio Grande Children's Home, Rio Grande Children's Home Foundation Inc., and MFHL Corporation) – collectively BCFS
- BRS (includes subsidiaries BMM and BSL)
- Buckner Foundation, Inc. (Foundation)
- Buckner FHC-Bachman Lake (BBL)

The Board of Trustees of Buckner International serve as directors of Buckner Children and Family Services, Inc., Buckner Retirement Services, Inc., and Buckner Foundation, Inc. The majority of the Board of Directors of Buckner FHC-Bachman Lake are appointed by the Board of Directors of BCFS, with the remaining Independent Directors elected by majority vote of the incumbent Directors. Buckner International and the related corporations are exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

Buckner presents its financial statements in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Restrictions - Net assets that are not subject to donor-imposed stipulations. Restricted contributions received and released in the current year will be reported as activity within net asset without restrictions.

- Net Assets With Restrictions – Net assets with restrictions include net assets subject to donor-imposed stipulations that may or will be met by actions of Buckner and/or the passage of time to be used generally for capital expenditures and program support. In 2020 and 2019, these assets are made up of a portion of cash and cash equivalents, investments, and pledges and bequests receivable. Net assets with restrictions also include net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be retained permanently. Generally, the donors of these assets permit Buckner to use all or part of the income earned on related investments for general or specific purposes, including program support. In 2020 and 2019, these assets are made up of a portion of cash and cash equivalents and investments.

Revenues are reported as increases in net assets without restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with restriction (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period when unconditional promises to give are received. Bequests are recognized when the court declares the will valid and the amount is reasonably estimable. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net asset with restriction class, and a reclassification to net assets without restriction is made to reflect the expiration of such restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. There was no allowance for uncollectible contributions at December 31, 2020 and 2019.

Income and investment gains and losses of endowment and similar funds are reported as follows:

- As increases (decreases) in net assets with restriction if the terms of the gift require that they be included in the principal of a permanent endowment fund;
- As increases (decreases) in net assets with restriction if the terms of the gift impose restrictions on their use;
- As increases (decreases) in net assets without restriction in all other cases.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The carrying value of such instruments approximates fair value. Buckner places its cash, cash equivalents and investments, which at times may exceed federally insured limits, with high credit quality financial institutions. Buckner has not experienced any losses on such accounts.

Investments

Investments in marketable securities are recorded at fair value based on quoted market prices when there is a readily available market price. Investment in real estate is held for sale and stated at the lower of cost or fair value. Net realized and unrealized gains (losses) in fair value of investments are reflected in the consolidated statements of activities.

Assets Whose Use is Limited

Assets whose use is limited on the statement of financial position include cash restricted for debt service payments for revenue bonds payable, funds held for new markets tax program, refundable deposits held to reserve a unit at Buckner Senior Living, and entrance fees restricted for working capital and to retire short term debt. Revenue bond proceeds held by trustee on the statement of financial position include cash restricted for capital expenditures and construction interest. These amounts are presented as restricted cash and are included in the statement of cash flow.

Receivables and Notes Receivable

Receivables are primarily due from clients served and from government agencies. Receivables are written off when they become uncollectible. The allowance for doubtful accounts is determined by management on the specific identification method after review of each receivable at year-end.

Inventories and Supplies

Inventories and supplies are recorded at cost.

Property and Equipment

Property and equipment are carried at cost, if purchased. Donated property is recorded at fair market value at the donation date. Repairs and maintenance costs are expensed in the period incurred. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Useful lives range from five to forty years. Buckner capitalizes items in excess of $5,000 with a useful life of at least one year.

Split-interest Agreements

Charitable remainder annuity trusts are recorded at fair value when received based on the present value of expected payments to be made under the agreement.

Asset Retirement Obligations

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability.

Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, Buckner records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Buckner derecognizes ARO liabilities when the related obligations are settled.

Deferred Revenue

The right to occupy various living units is granted under life tenancy agreements under which the tenants pay a certain sum (entrance fee) which entitles them to live in the unit for life. Under this plan, upon death of, or termination by, the tenant and upon re-occupancy of the unit, the tenant or their estate receives a refund of the appropriate percent of the original entrance fee paid. The non-refundable portion of the entrance fee is recognized as revenue over the actuarial life expectancy of the resident. The refundable portion is recognized as a liability shown as refundable fees.

Bond Issuance Costs

Bond issuance costs are amortized over a period of thirty years consistent with the life of the bonds with a method which approximates the effective interest method. Bond issuance costs are reported in the 2020 and 2019 consolidated statements of financial position as direct deductions from the carrying amount of the related debt liability. Amortization of bond issuance costs after construction is complete is included within administration expense in the consolidated statements of activities.

Revenues

Client support and related income is recognized at the time services are rendered and is reported at the estimated realizable amounts from residents, third-party payers, and others as services are rendered. Revenue under third-party payer arrangements (Medicaid and Medicare) is subject to audit and retroactive adjustment. Provisions for third-party payer settlements are provided in the period the related services are rendered. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Investment income is recognized at the time it is earned.

Contributions are recognized at fair value at the time gifts are received or unconditional promises to give are made. Grant revenues are recognized at the time grant requirements are met.

Advertising

Buckner expenses the costs of advertising as incurred, except the costs for direct-response advertising, which are capitalized and amortized over the expected period of future benefits.

Expenses incurred related to advertising activities were $2,399,263 and $3,338,998 for the years ended December 31, 2020 and 2019, respectively, and are included in administration expense on the accompanying consolidated statements of activities.

In 2018, Buckner adopted certain updated guidance in ASU 2014-09, Topic 606, *Revenue from Contracts with Customers*, whereby the costs of acquiring initial continuing-care contracts that are expected to be recovered from future contract revenues can no longer be capitalized and amortized. Previously, the costs had been amortized to expense on a straight-line basis over the average expected remaining lives of the residents under contract or the contract term, if shorter (actuarial studies typically provide a range of 12 to 14 years). Buckner has chosen the "modified" approach, where this change is effective January 1, 2018. The effect of this adoption is the write off of $5,590,762 of capitalized direct-response advertising costs in 2018.

Change in Net Assets from Operations

Operations of Buckner include children and family services, retirement services, and international orphan care services. Buckner includes investment income and gains and losses on sales of real estate held for investment in the change in net assets from operations. Buckner excludes from the change in net assets from operations, gains and losses on sales of facilities and realized and unrealized gains and losses on investments.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts relating to the prior period have been restated to conform to current year's presentation. The reclassifications have no effect on prior period change in net assets or total net assets.

Subsequent Events

The date to which events occurring after December 31, 2020, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is May 11, 2021, the date these consolidated financial statements were available to be issued. During this period, Buckner applied for and received funds from the Payroll Protection Program as noted in the COVID-19 note. Additionally, BMM Note A and Note B were both refinanced effective January 1, 2021 as noted in Note 9.

COVID-19

COVID-19 impacted Buckner operationally and financially in 2020, particularly in Buckner Retirement Services, where occupancy declined as a direct result of the pandemic due to operational restrictions placed on the communities. Buckner complied with all local, state, and federal orders and followed CDC recommended guidelines. Buckner applied for and received the following assistance available for not-for-profit organizations in 2020:

- Relief fund payments under the CARES act from the Department of Health and Human Services. These funds do not need to be repaid.
- Accelerated/advance payments available under the CMS Accelerated & Advanced Payment Plan. The funds were not used and were returned to CMS.
- Relief under Section 2302 of the CARES Act which provides that employers may defer the deposit and payment of the employer's portion of social security taxes through December 31, 2020. The deferral amount will be repaid by December 31, 2021 and December 31, 2022.

Buckner applied for and received funds from the Payroll Protection Program in March 2021. The funds received were recorded as a liability, and payments will be deferred until the forgiveness amount has been determined by SBA. The program allows for full loan forgiveness subject to meeting certain employment and usage requirements. If the loan is forgiven in 2021, the portion forgiven will be reclassified as other operating revenue.

Buckner is continuing to evaluate government programs under the CARES Act as they become available. Buckner is unable to accurately predict how COVID-19 will affect the results of its operations for the remainder of 2021. The operating results for the quarter ended March 31, 2021 were for the most part moderately impacted, with the exception of Buckner Retirement Services which continues to experience occupancy levels well below occupancy levels just prior to the pandemic.

New Accounting Pronouncement and Adoption

On February 25, 2016, the FASB issued Accounting Standards Update ASU 2016-02, (Topic 842) – *Leases*. Under this guidance, it requires all lessees recognize a right-of-use asset and lease liability on the balance sheet for all leases (with the exception of short-term leases) at the lease commencement date. On July 30, 2018, the FASB issued ASU 2018-11 (Topic 842) – *Leases – Targeted Improvements*, that allowed a practical expedient by which an entity can apply the new lease standard at the adoption date (January 1, 2019) and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, instead of to the earliest period presented. Buckner has chosen this "modified" approach, where this change is effective January 1, 2019. The effect of this adoption was a cumulative-effect adjustment to the opening balance of net assets of $73,574.

Buckner adopted the provisions of the New Lease Standard effective January 1, 2019, using the modified retrospective adoption method, utilizing the simplified transition option available in the New Lease Standard, which allows entities to continue to apply the legacy guidance in Topic 842, including its disclosure requirements, in the comparative periods presented in the year of adoption. Buckner elected the package of practical expedients available under the transition provisions of the New Lease Standard, including (i) not reassessing whether expired or existing contracts contain leases, (ii) not reassessing lease classification, and (iii) not revaluing initial direct costs for existing leases.

See Note 13 for disclosures related to the Lease Standard.

Note 3. Investments

Investments consist of the following:

	December 31, 2020	December 31, 2019
HighGround Endowment Fund	$ 142,347,786	$ 131,633,503
Equity securities - domestic	48,528,337	45,811,771
Equity securities - international	26,860,219	31,264,341
Corporate bonds	34,641,188	26,734,675
U.S. government agencies	2,589,453	2,725,150
Money market funds	4,161,431	2,297,774
Bond mutual funds	29,767,054	33,400,223
Mineral interests	97,007,915	100,658,745
Other	19,301,374	18,771,930
	$ 405,204,757	$ 393,298,112

The following summarizes investment return:

	Years Ended December 31, 2020	Years Ended December 31, 2019
Operating		
Dividend and interest income	$ 27,831,319	$ 29,162,938
Nonoperating		
Net realized and unrealized gain (loss) on investments	17,626,555	60,541,327
	$ 45,457,874	$ 89,704,265

Note 4. Receivables

Receivables are recorded net of the allowance for doubtful accounts as follows:

	December 31, 2020	December 31, 2019
Receivables, gross	$ 9,667,642	$ 7,109,781
Allowance for doubtful accounts	(521,808)	(522,591)
Receivables, net	$ 9,145,834	$ 6,587,190

Note 5. Pledges and Bequests Receivable

Pledges and bequests receivable consist of unconditional promises to give that are time and/or purpose restricted. Pledges and bequests receivable, net, are summarized as follows:

	December 31, 2020		December 31, 2019	
Pledges and bequests receivable, gross	$	750,631	$	1,124,504
Less unamortized discount at 0.93% and 1.92% at December 31, 2020 and 2019, respectively		(1,843)		(24,851)
Pledges and bequests receivable, net	$	748,788	$	1,099,653

The maturity of pledges and bequests receivable at December 31, 2020 is as follows:

Less than one year	$	550,631
One to five years		200,000
	$	750,631

Note 6. Note Receivable

During 2018, BCFS closed on a new markets tax credit (NMTC) arrangement resulting in a note receivable from Chase NMTC Buckner Investment Fund, LLC in the amount of $7,702,200 with interest payable annually at 1.00%. Principal and interest payments of the note are to commence in December 2018 with final payment due December 2051. As part of the arrangement, the note may be paid off early, wherein a significant portion of the debt may be forgiven through the utilization of the new markets tax credit. The note is collateralized by a security interest in the membership interests of the community development entity, DDF November, LLC. The note receivable originated with the issuance of certain debt instruments reflected in Note 10 to the consolidated financial statements. However, there is not a right of offset with these debt instruments.

Note 7. Property and Equipment

Property and equipment consists of the following:

	Estimated Useful Life	December 31, 2020	2019
Buildings	10 - 40 years	458,527,228	$ 434,409,299
Furniture and equipment	5 - 10 years	32,918,492	31,297,371
Vehicles	5 years	2,144,533	2,124,147
Land improvements	5 - 20 years	16,280,834	15,483,872
Total		509,871,087	483,314,689
Less accumulated depreciation		(121,272,805)	(103,793,486)
		388,598,282	379,521,203
Projects-in-process		12,101	12,967,427
Land		14,052,884	14,144,891
Property and equipment, net		$ 402,663,267	$ 406,633,521

Depreciation expense was $13,793,271 and $10,319,296 for the years ended December 31, 2020 and 2019, respectively.

Note 8. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2020	2019
Employee vacation and sick pay	$ 767,761	$ 657,872
Employee health benefits	1,063,000	1,063,000
Nonsubscriber occupational injury	100,000	100,000
Property taxes	527,728	551,000
Wages and payroll related	2,943,870	969,454
Interest on revenue bonds and notes payable	2,278,690	2,477,353
Professional and general liability insurance	100,000	100,000
Other	2,935,736	2,357,030
Total	$ 10,716,785	$ 8,275,709

Note 9. Debt

In October 2018, First Financial Bank, N.A. made two loans, Note A and Note B, to BMM through the Orchard Cultural Education Facilities Finance Corporation. The proceeds from the Notes were used by BMM to finance and refinance the construction, acquisition, renovation and equipping of independent living, assisted living, and skilled nursing facilities in San Angelo, Texas. The outstanding principal amount of Note A at December 31, 2020 was $7,546,655. Total interest and principal payments began in January 2018 and the total annual payments will be $535,805 through September 2028. From October 2028 through October 2043, interest payments will be calculated at a variable rate and total annual interest and principal payments will be based on the variable rate. The outstanding principal amount of Note B at December 31, 2020 was $5,811,976, which was the total amount drawn from the available loan amount of $6,584,264. Interest only on the requested draws was due and payable in 2019, with principal payments beginning in 2020. Total interest and principal payments began in January 2020 and the total annual payments will be $399,900 through September 2028. From October 2028 through October 2044, interest payments will be calculated at a variable rate and total annual interest and principal payments will be based on the variable rate. Buckner Foundation, Inc. has entered into an account control agreement with First Financial Bank, N.A. in the amount of $2,000,000 for the benefit of BMM related to the two notes. Note A and Note B were both refinanced effective January 1, 2021. Total annual payments for Note A and Note B through September 2028 will be $481,968 and $370,122, respectively. The interest rate will be 3.5% per annum. Effective October 2028, the rate will be variable, but at no time will the interest rate be less than 3.5% per annum.

In May 2017, BSL, through the Tarrant County Cultural Education Facilities Finance Corporation, issued $232,345,000 of tax-exempt bonds, and is the sole obligated party on the issuance. The proceeds generated by the sale of the bonds were loaned to BSL to finance the development, marketing, construction, and equipping of a Life Plan Continuum Care Retirement Community located in Dallas, Texas. The outstanding principal amount of the Series 2017 Ventana bonds at December 31, 2020 is $164,055,000. As of December 31, 2020, revenue bond proceeds of $16,188,436 were being held by the trustee to be used for funding of capital expenditures and construction interest. Interest payments began November 2017 with principal payments not beginning until year 2019 and the total annual payments are approximately $11,730,000 through November 15, 2052. As of December 31, 2020, the unamortized premium on the Series 2017 Ventana bonds is $137,505. Buckner Foundation, Inc. has entered into a Liquidity Support Agreement with BSL and the Master Trustee in the amount of $15,000,000 for the benefit of BSL related to the 2017 Bonds.

In August 2017, BRS, through the Tarrant County Cultural Education Facilities Finance Corporation, issued $52,485,000 of tax-exempt bonds, and is the sole obligated party on the issuance. The proceeds generated by the sale of the bonds were loaned to BRS to (1) finance a portion of the costs for improving and equipping a health care facility located in Houston, Texas and (2) refund $49,200,000 which represents the remaining portion of the outstanding Tarrant County Cultural Education Facilities Finance Corporation Revenue Bonds, Series 2007. The outstanding principal amount of the Series 2017 bonds at December 31, 2020 is $48,340,000. As of December 31, 2020, revenue bond proceeds of $3,271 were being held by the trustee to be used for funding of capital expenditures and construction interest. Total principal and interest payments began November 2017 and the total annual payments are approximately $3,790,000 through November 15, 2037 and $1,745,000 from November 15, 2038 through November 15, 2046. As of December 31, 2020, the unamortized premium on the Series 2017 bonds is $6,006,218.

In May 2016, BRS, through the Tarrant County Cultural Education Facilities Finance Corporation, issued $89,260,000 of tax-exempt bonds, and is the sole obligated party on the issuance.

The proceeds generated by the sale of the bonds were loaned to BRS to (1) finance the construction and expansion of certain retirement facilities located in Austin, Beaumont, and Longview, Texas and (2) to refund $39,540,000 which represented a portion of the outstanding Tarrant County Cultural Education Facilities Finance Corporation Revenue Bonds, Series 2007. The outstanding principal amount of the Series 2016 bonds at December 31, 2020 is $84,685,000. As of December 31, 2020, revenue bond proceeds of $1,077,304 were being held by the trustee to be used for funding of capital expenditures and construction interest. Total principal and interest payments began November 2016 and the total annual payments are approximately $5,350,000 through November 15, 2037 and $7,800,000 from November 15, 2038 through November 15, 2046. As of December 31, 2020, the unamortized premium on the Series 2016 bonds is $11,447,614.

BRS is required to maintain compliance with certain covenants as provided by the April 2016 Supplemental Indenture, the August 2017 Supplemental Indenture, and the original July 2007 Master Trust Indenture. Buckner Foundation, Inc. has entered into a Credit and Support Agreement with the Master Trustee for the benefit of BRS related to the 2017 Series and the 2016 Series bonds.

A summary of debt is as follows:

	December 31,	
	2020	2019
Revenue bonds payable		
Series 2017 revenue bonds, interest rates of 2.25% to 5.00%, net of unamortized premium	$ 54,346,218	$ 56,023,008
Less: bond issuance costs	(781,834)	(823,997)
	53,564,384	55,199,011
Series 2017 Ventana bonds, interest rates of 4.00% to 6.75%, net of unamortized premium	164,192,505	188,291,885
Less: bond issuance costs	(4,193,444)	(4,326,836)
	159,999,061	183,965,049
Series 2016 revenue bonds, interest rates of 1.00% to 5.00%, net of unamortized premium	96,132,614	97,742,637
Less: bond issuance costs	(1,132,790)	(1,185,143)
	94,999,824	96,557,494
Lines of credit		
With JPMorgan Chase, variable interest rate currently at 1.615% expires December 2021	1,100,000	1,100,000
Notes payable		
With FFIN San Angelo interest rate currently 4.58%, expires October 2043	7,546,655	7,725,802
Less: issuance costs	(256,393)	(267,407)
	7,290,262	7,458,395
With FFIN San Angelo interest rate currently 4.58%, expires October 2044	5,811,976	2,673,764
DDF November, LLC Loan A, interest accrued monthly, paid annually, at 1.19%, until December 1, 2025, principal and interest is due annually until maturity December 1, 2055	7,702,200	7,702,200
DDF November, LLC Loan B, interest accrued monthly, paid annually, at 1.19%, until December 1, 2025, principal and interest is due annually until maturity December 1, 2055	3,077,800	3,077,800
Less: issuance costs	(295,665)	(355,799)
	10,484,335	10,424,201
	$ 333,249,842	$ 357,377,914

Scheduled debt repayments on short-term notes payable, lines of credit and revenue bonds at December 31, 2020 are as follows:

Year Ending December 31,	Lines of Credit	Notes Payable	BRS Series 2017 Revenue Bonds	BRS Series 2017 Ventana Revenue Bonds	BRS Series 2016 Revenue Bonds	BRS Total Revenue Bonds	Total
2021	$ 1,100,000	$ 209,819	$ 1,420,000	$ 3,930,000	$ 1,125,000	$ 6,475,000	$ 7,784,819
2022	-	391,049	1,490,000	-	1,185,000	2,675,000	3,066,049
2023	-	405,111	1,565,000	-	1,245,000	2,810,000	3,215,111
2024	-	418,468	1,645,000	875,000	1,305,000	3,825,000	4,243,468
2025	-	434,728	1,720,000	1,945,000	1,370,000	5,035,000	5,469,728
Thereafter	-	22,279,456	40,500,000	157,305,000	78,455,000	276,260,000	298,539,456
	1,100,000	24,138,631	48,340,000	164,055,000	84,685,000	297,080,000	322,318,631
Less: debt issuance costs	-	(552,058)	(781,834)	(4,193,444)	(1,132,790)	(6,108,068)	(6,660,126)
Add: amount representing premium	-	-	6,006,218	137,505	11,447,614	17,591,337	17,591,337
	$ 1,100,000	$ 23,586,573	$ 53,564,384	$ 159,999,061	$ 94,999,824	$ 308,563,269	$ 333,249,842

Note 10. New Markets Tax Credit Arrangement

BCFS entered into new markets tax credit (NMTC) transactions during the year ended December 31, 2018 and created a new entity, Buckner FHC-Bachman Lake (BBL), as a result. The NMTC program was designed to make investment capital available to businesses in qualifying low-income communities, to create jobs and spur additional economic development. Privately managed investment institutions, or Community Development Entities, (CDEs), make loans and capital investments in businesses in underserved areas. The NMTCs were allocated in this transaction pursuant to Section 45D of the IRC. Further detail of the transactions are described in below and in Notes 6.

Note Payable

BCFS and an unrelated third party lender (NMTC Investor) entered into the new markets tax credit transaction, where BCFS loaned $7,702,200 and the NMTC Investor loaned $3,517,800 to Chase NMTC Buckner Investment Fund, LLC during the year ended December 31, 2018. Chase NMTC Buckner Investment Fund, LLC then invested the funds into a CDE (DDF November, LLC), who separately loaned funds to BBL in the amount of $10,780,000. This was accomplished through two different QLICI loans as noted below. The loans have subjected BCFS and BBL to certain restrictive covenants. Management believes they are in compliance with all covenants.

After the seven year NMTC period expires, it is anticipated that the NMTC Investor will exercise its put option to sell its ownership interest in Chase NMTC Buckner Investment Fund, LLC to BCFS for $1,000. If the NMTC Investor does not exercise that put option, then the put and call agreement allows BCFS to exercise a call option to purchase the interest in Chase NMTC Buckner Investment Fund, LLC at an appraised fair value. The CDE will also distribute its assets to the Chase NMTC Buckner Investment Fund, LLC. After the exit transactions are completed, BCFS will be holder of a portion of the NMTC Loan, and such loan will be eliminated for reporting purposes because such loaned will be owed by the subsidiary to BCFS.

BCFS, specifically BBL, was obligated on the following notes payable as of December 31:

Payable to and terms	2020	2019
DDF November, LLC Loan A, interest accrued monthly, paid annually, at 1.190%, until December 1, 2025, principal and interest is due annually until maturity December 1, 2055.	$ 7,702,200	$ 7,702,200
DDF November, LLC Loan B, interest accrued monthly, paid annually, at 1.190%, until December 1, 2025, principal and interest is due annually until maturity December 1, 2055.	3,077,800	3,077,800
Less: debt issuance costs	(295,665)	(355,799)
Total notes payable	$ 10,484,335	$ 10,424,201

Remaining Notes Payable are discussed in Note 9.

Note 11. Retirement Plans

Buckner provides a defined contribution retirement plan (the Plan) for its employees. Employees hired before April 1, 2019, are eligible to participate in the Plan after completing two years of eligible service. Buckner contributes 8% of an employee's base salary for employees who contribute at least 5% of their salary. Vesting occurs immediately upon entering the Plan. Employees hired on or after April 1, 2019 are eligible to participate in the Plan upon joining Buckner. Buckner contributes 5% of an employee's base salary for employees who contribute at least 5% of their salary. Vesting occurs after three years of continuous service. Contributions to the Plan for the years ended December 31, 2020 and 2019 were $2,113,300 and $2,002,618, respectively.

Note 12. Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis on the Consolidated Statement of Functional Expenses. Salaries and related payroll expenses are recorded based on actual segregation of personnel by program or supporting services. Distribution of all other expenses is based on actual usage or management's estimate of usage applicable to various programs and supporting services benefitted.

Note 13. Leases

Buckner enters into non-cancelable operating lease agreements for office space in the normal course of business. The accounting for these leases follows the requirements of the New Lease Standard, which Buckner adopted as of January 1, 2019. See Note 2 for further information.

As of December 31, 2020, Buckner has leases for office space, which include the corporate support center facility and three locations for Buckner Children and Family Services. Buckner sub-leases a portion of the corporate support center facility. These leases are classified as operating lease agreements and have lease terms remaining ranging from 3 months to 5 years.

The optional renewal period was considered for all leases, but Buckner does not consider any additional renewal periods to be reasonably certain of being exercised, as comparable locations could generally be identified within the same areas for comparable lease rates.

All leases include fixed rental payments, but some of leases also include variable rental payments. Buckner has a few leases in which separate payments are made to the lessor based on the lessor's utilities costs, capital improvement costs, property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance associated with the property. Buckner elected the practical expedient not to separate lease and nonlease components for all building leases.

During 2019 and 2020, Buckner recognized rent expense associated with leases as follows:

	2020	2019
Operating lease cost:		
Rent and lease expense	$ 1,008,359	$ 1,083,197

Amounts recognized as right-of-use assets related to leases are included in Other Assets in the accompanying statement of financial position, while related lease liabilities are included in Other Liabilities. As of December 31, right-of-use assets and lease liabilities related to leases were as follows:

	2020	2019
Operating lease ROU assets	$ 4,065,807	$ 4,878,309
Operating lease liabilities	$ 4,218,067	$ 5,001,136

During the years ended December 31, 2020 and 2019, Buckner had the following cash and non-cash activities associated with our leases:

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 978,927	$ 1,033,944
Additions to ROU assets obtained from:		
New operating lease liabilities	$ -	$ 480,027

The future payments due under those leases as of December 31, 2020 is as follows:

Year ending December 31,		
2021	$	1,011,532
2022		1,029,687
2023		1,052,841
2024		1,075,996
2025		437,351
	$	4,607,407

As of December 31, 2020, the weighted-average remaining lease term for all operating leases is 4.4 years. Buckner elected the practical expedient for nonpublic business entities to use a risk-free rate for a period comparable to the least term. For existing leases being implemented at January 1, 2019, Buckner utilized the 10-year US Treasury rate at January 1, 2019 plus a spread for BBB rating representing a 4.24% discount rate used for December 31, 2019.

Note 14. Asset Retirement Obligation

Asset retirement obligations (AROs) are recorded under the provisions of the Codification, accounting for asset retirement obligations and accounting for conditional asset retirement obligations, which requires the fair value of a liability related to the retirement of long-lived assets to be recorded at the time a legal obligation is incurred, if the liability can be reasonably estimated. Buckner has identified asbestos abatement that must be reported. It is currently appropriately managed by Buckner in accordance with current laws and regulations. However, it is possible that at some future date, renovations, demolition, or construction could occur that would require direct remediation of Buckner's AROs. The asset retirement obligation as of December 31, 2020 and 2019 was included in other liabilities.

A reconciliation of the asset retirement obligation liability is as follows:

	December 31, 2020		December 31, 2019	
Beginning balance	$	784,628	$	1,552,147
Accretion expense		35,543		34,003
Settlement of ARO obligations		-		(801,522)
Ending balance	$	820,171	$	784,628

Note 15. Net Assets

Included in net assets with restrictions is the accumulation of gifts to be invested in perpetuity. The income earned on these investments can be used for the general operation of the organization.

Net assets with restrictions are restricted for the following purposes or periods at December 31:

	December 31, 2020	December 31, 2019
Original donor-restricted gift amount and amounts required to be retained by donor	$ 118,281,499	$ 119,072,243
Gift amounts restricted by purpose	2,506,857	3,632,419
Gifts and other amounts restricted by passage of time	21,046,821	20,856,047
	$ 141,835,177	$ 143,560,709

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Capital projects - children and family services	$ 1,193,536	$ 4,336,625
Program support - children and family services	928,073	382,238
Program support - retirement services	1,090,525	200,000
	$ 3,212,134	$ 4,918,863

Note 16. Related Party Transactions

In prior years, Buckner has entered into transactions with its Board members on an occasional basis subject to and in compliance with the Buckner Policy on Conflict of Interest, including requiring approval of disinterested members of the Finance Committee of the Board. Such transactions are immaterial in amount and no such transactions took place in 2020 or 2019.

Note 17. Fair Value Measurements

The Codification, accounting for fair value measurements and disclosures, established the framework for measuring fair value, which was effective for fiscal years beginning after November 15, 2007. The guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The hierarchy established by the Codification gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). As required, Buckner's financial instruments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

The three levels of the fair value hierarchy, and its applicability to Buckner's financial instruments, are described below:

<u>Level 1 inputs</u>: Pricing inputs are quoted prices available in active markets for identical financial instruments as of the reporting date.

<u>Level 2 inputs</u>: Pricing inputs are quoted prices for similar financial instruments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes financial instruments valued at quoted prices adjusted for legal or contractual restrictions specific to these financial instruments.

<u>Level 3 inputs</u>: Pricing inputs are unobservable for the financial instruments, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Buckner determines the fair value of the financial instruments through application of the guidance established.

Information related to the financial instruments measured at fair value on a recurring basis at December 31, 2020 and 2019 is as follows:

	December 31, 2020			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
HighGround Endowment Fund	$ 142,347,786	$ -	$ 142,347,786	$ -
Equities - domestic	48,528,337	32,026,086	16,502,251	-
Equities - international	26,860,219	22,659,355	4,200,864	-
Corporate bonds	34,641,188	-	34,641,188	-
U.S. government agencies	2,589,453	-	2,589,453	-
Money market funds	4,161,431	-	4,161,431	-
Bond mutual funds	29,767,054	-	29,767,054	-
Mineral interests	97,007,915	-	-	97,007,915
Real estate / other	19,301,374	-	-	19,301,374
Pledges and bequests receivable	748,788	-	-	748,788
Revenue bond proceeds held by trustee	17,269,011	-	17,269,011	-
Annuity funds liabilities for investments held in trust	(4,841,622)	-	-	(4,841,622)

	December 31, 2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
HighGround Endowment Fund	$ 131,633,503	$ -	$ 131,633,503	$ -
Equities - domestic	45,811,771	31,655,856	14,155,915	-
Equities - international	31,264,341	27,313,313	3,951,028	-
Corporate bonds	26,734,675	-	26,734,675	-
U.S. government agencies	2,725,150	-	2,725,150	-
Money market funds	2,297,774	-	2,297,774	-
Bond mutual funds	33,400,223	-	33,400,223	-
Mineral interests	100,658,745	-	-	100,658,745
Real estate / other	18,771,930	-	-	18,771,930
Pledges and bequests receivable	1,099,653	-	-	1,099,653
Revenue bond proceeds held by trustee	29,109,842	-	29,109,842	-
Annuity funds liabilities for investments held in trust	(4,845,984)	-	-	(4,845,984)

The following is a description of the valuation methodologies used to measure and disclose fair value financial instruments:

Investments reported as Level 1 consist of equity securities which are determined by reference to quoted market prices for investments listed on an exchange or over-the-counter market.

Investments and revenue bond proceeds held by the trustee reported as Level 2 consists of the following:

HighGround Endowment Fund

HighGround Endowment Fund is a public investment vehicle that is valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is classified within Level 2 of the valuation hierarchy because the NAV's unit price is quoted on a private market, however the unit price is based on underlying investments which are traded on an observable active market.

Corporate Bonds

The fair value of sovereign government, municipal, and corporate bonds is generally based on using recently executed transactions, market price quotations, bond spreads or credit default swap spreads and quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest-rate yield curves, cross-currency-basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority.

Money Market Funds

The fair value of money market funds is estimated based on using recently executed transactions, market price quotations, bond spreads or credit default swap spreads and quoted prices in active markets.

Fair values reported as Level 3 consist of the following:

Mineral Interests

Mineral interests are valued by reviewing the most recent twelve months of mineral income, excluding bonus income, and analyzing current industry methodology and recent market conditions.

Investments in Real Estate

Investments in real estate are valued based on appraisals, property tax values, and recent sales of comparative properties.

The fair value of pledges and bequests receivables reported as Level 3 is based on the discounted value of expected future cash flows. The fair value of annuity funds liabilities for investments held in trust reported as Level 3 is based on the discounted value of the future liability.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	Real estate / other	Mineral Interests	Pledges and Bequests Receivable	Annuity Funds Liabilities for Investments Held in Trust
December 31, 2018	$ 3,196,054	$ 76,758,222	$ 4,756,654	$ (4,500,469)
Distributions	-	-	(4,051,681)	-
Contributions	-	-	394,680	-
Net realized and unrealized change in investment valuation	15,575,876	23,900,523	-	(345,515)
December 31, 2019	18,771,930	100,658,745	1,099,653	(4,845,984)
Distributions	-	-	(978,665)	-
Contributions	-	-	627,800	-
Net realized and unrealized change in investment valuation	529,444	(3,650,830)	-	4,362
December 31, 2020	$ 19,301,374	$ 97,007,915	$ 748,788	$ (4,841,622)

Note 18. Restricted Assets Held in Foundation

Foundation endowments consist of individual, donor-restricted funds established for future program services and operation. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted Texas' enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), addressed primarily by the Codification, accounting for not-for-profit entities, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Unless stated otherwise in the gift instrument, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted is classified as net assets with restriction until those amounts are appropriated for expenditure by the Foundation.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investments returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation of equities (US and non-US stocks), fixed income instruments, and a small allocation of alternative investments to achieve its long-term return objective within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year 5-6% of the endowment's investable asset value. The spending objective is determined annually by the Foundation Board taking into consideration current market conditions and average market value of the portfolio's investable assets over the previous periods. The Foundation and the Trustees recognize that the time horizon for the fund is very long-term, and the intent of the endowment is to remain in operation in perpetuity. The Foundation expects to grow the endowment at a rate equal to the nominal spending objective, the rate of inflation, and investments fees and expenses over the long-term. The Foundation will focus on total return without regard to whether that return is in the form of income or capital gains.

Net assets with restrictions is made up of the following:

Net Assets with imposed restrictions that may be met by actions of the Foundation and/or passage of time to be used generally for capital expenditures and program support.

Net Assets restricted for the Foundation's permanent endowment. The income from the endowment will be used to fund future program services and operations.

	Imposed Restrictions		Permanent Endowment	
	2020	2019	2020	2019
Net assets	$ 15,875,387	$ 15,653,366	$ 94,240,648	$ 95,764,438

For the years ended December 31, 2020 and 2019, the Foundation had the following endowment-related activities:

	Imposed Restrictions	Permanent Endowment	Total
Endowment net assets, December 31, 2018	$ 15,275,199	$ 80,156,782	$ 95,431,981
Investment return			
Investment income (loss)	(63,508)	1,007,008	943,500
Net realized/unrealized gains (losses)	165,375	14,602,912	14,768,287
Total investment return	101,867	15,609,920	15,711,787
Contributions to endowment	276,300	(2,264)	274,036
Endowment net assets, December 31, 2019	15,653,366	95,764,438	111,417,804
Investment return			
Investment income (loss)	(41,357)	885,989	844,632
Net realized/unrealized gains (losses)	207,062	(2,655,102)	(2,448,040)
Total investment return	165,705	(1,769,113)	(1,603,408)
Contributions to endowment/other	56,316	245,323	301,639
Endowment net assets, December 31, 2020	$ 15,875,387	$ 94,240,648	$ 110,116,035

Funds with Deficits

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires Buckner to retain as a fund of perpetual duration. On December 31, 2020, deficiencies of this nature exist in various Foundation donor-restricted endowment funds, which together have an original gift value of $315,405; a current fair value of $255,021; and a deficiency of $60,383. On December 31, 2019, deficiencies of this nature existed in various Foundation donor-restricted endowment funds, which together had an original gift value of $1,744,683; a current fair value of $1,622,772; and a deficiency of $121,911. The deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for the donor-restricted endowment funds and continued appropriation for certain programs that were deemed prudent by management. The Foundation permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Note 19. Liquidity

Buckner has $209.2 million of financial assets available within one year of the balance sheet date to meet the cash needs for general expenditures of the organization. In addition to these funds, the organization could also draw upon $900,000 available from a line of credit. Total financial assets were reduced by certain assets and netted out for determining the $209.2 million of available liquid assets. The following assets were excluded: donor restrictions on cash and cash equivalents; donor restrictions on investments; non-liquid investments; investments set aside or available for financing obligations; and pledge receivables due more than one year from the balance sheet date. As part of its liquidity management, Buckner may invest in excess of daily requirements in various short-term investments, including money market accounts. Approximately $171.8 million of the $209.2 million is maintained within the Foundation for investments whose earnings benefit the Buckner ministries. The Foundation has entered into a Credit and Support Agreement for the benefit of BRS related to the approximate $133.0 million of outstanding revenue bonds payable at December 31, 2020 and this contingent amount has not reduced nor was netted out of the $209.2 million of financial assets noted above.

Note 20. Commitments and Contingencies

Buckner has been made aware of possible claims and, although the ultimate outcome of these matters is uncertain, management, based on consultation with outside legal counsel, is of the opinion that their resolution will not have a material adverse effect on Buckner’s financial position, results of operations or cash flows.

Federal and other grants are subject to periodic review and assessment by the related federal and other agencies. Buckner believes matters related to these reviews will not have a material adverse effect on Buckner’s financial position.

Buckner maintains a letter of credit that is required by the insurance company for Buckner’s professional and general liability insurance policies from prior years. As of December 31, 2020 and 2019, no amounts are outstanding under the letter of credit. At both December 31, 2020 and 2019, Buckner maintained a $100,000 reserve for prior years’ professional and general liability insurance.

Buckner is partially insured for employee health benefits and its non-subscriber occupational injury plan. For employee health benefits, Buckner has a stop-loss limit of $150,000 per person per year and BMM has a stop-loss limit of $70,000 per person per year. At December 31, 2020 and 2019, Buckner has accrued $1,063,000 for employee health benefits. For the non-subscriber occupational injury plan, Buckner has a stop-loss limit of $100,000 per incident per year. At December 31, 2020 and 2019, Buckner has accrued $100,000 for the non-subscriber occupational injury plan.

Note 21. Federal Income Taxes

The Codification guidance accounting for uncertainties in income taxes requires that Buckner recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the tax position. The requirements also provide guidance on measurement, classification, interest and penalties and disclosure.

Tax positions taken related to Buckner's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. For the year ended December 31, 2020, there were no interest or penalties recorded or included in the financial statements. As of December 31, 2020, Buckner's tax years 2017 and thereafter remain subject to examination.

Supplementary Information

Independent Auditor's Report
on Supplementary Information

To the Board of Trustees of
Buckner International and Subsidiaries

We have audited the consolidated financial statements of Buckner International and Subsidiaries (collectively, Buckner) as of and for the years ended December 31, 2020 and 2019, and our report thereon dated May 11, 2021, which expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statement as a whole. The supplementary consolidating statement of financial position and consolidating statements of activities included hereinafter are presented for purposes of additional analyses and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
May 11, 2021

Buckner International and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	Buckner International	Buckner Children and Family Services, Inc.	Buckner Retirement Services, Inc.	Buckner FHC - Bachman Lake	Buckner Foundation	Eliminations	2020 Consolidated Total	2019 Consolidated Total
ASSETS								
ASSETS								
Cash and cash equivalents	$ 2,219,457	$ 11,445,682	$ 11,615,914	$ 184,513	$ 5,484,818	$ -	$ 30,950,384	$ 25,890,560
Investments	-	5,105,855	30,111,391	-	369,987,511	-	405,204,757	393,298,112
Assets whose use is limited	-	-	20,816,164	760,692	-	-	21,576,856	43,832,553
Receivables, net	207,235	1,651,629	5,469,676	-	1,817,294	-	9,145,834	6,587,190
Pledges and bequests receivable, net	-	748,788	-	-	-	-	748,788	1,099,653
Inventories and supplies	-	-	193,195	-	-	-	193,195	230,079
Notes receivable	-	7,702,200	-	-	-	-	7,702,200	7,702,200
Prepaid expenses	270,513	47,235	-	-	-	-	317,748	569,532
Due from other companies, net	764,356	697,309	-	-	131,722	(1,593,387)	-	-
Other assets	3,710,123	355,684	139,056	-	-	-	4,204,863	5,028,223
Revenue bond proceeds held by trustee	-	-	17,269,011	-	-	-	17,269,011	29,109,842
Real estate held for investment	717,010	-	-	-	1,030,001	-	1,747,011	1,810,971
Property and equipment, net	1,009,912	35,530,836	355,310,939	10,811,580	-	-	402,663,267	406,633,521
TOTAL ASSETS	8,898,606	63,285,218	440,925,346	11,756,785	378,451,346	(1,593,387)	901,723,914	921,792,436
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable	$ 44,185	$ 271,125	$ 1,222,266	$ 228,472	$ 800	$ -	$ 1,766,848	$ 3,754,589
Retainage payable	-	-	-	-	-	-	-	4,505,823
Accrued liabilities	863,305	1,651,445	8,181,529	10,690	9,816	-	10,716,785	8,275,709
Lines of credit	1,100,000	-	-	-	-	-	1,100,000	1,100,000
Revenue bonds payable, net	-	-	308,563,269	-	-	-	308,563,269	335,721,554
Notes payable	-	-	13,102,238	10,484,335	-	-	23,586,573	20,556,360
Resident deposits	-	-	2,106,745	-	-	-	2,106,745	2,345,590
Refundable fees	-	-	104,334,411	-	-	-	104,334,411	92,244,209
Deferred revenue from advance fees	-	-	16,191,143	-	-	-	16,191,143	14,190,988
Annuity and life income fund liability	-	38,765	29,051	-	4,773,806	-	4,841,622	4,845,984
Other	3,862,381	1,151,828	162,571	-	-	-	5,176,780	6,305,458
Due to other companies, net	-	-	1,153,669	439,718	-	(1,593,387)	-	-
Total liabilities	5,869,871	3,113,163	455,046,892	11,163,215	4,784,422	(1,593,387)	478,384,176	493,846,264
NET ASSETS								
Without restrictions	3,028,735	56,187,569	(41,856,202)	593,570	263,550,889	-	281,504,561	284,385,463
With restrictions	-	3,984,486	27,734,656	-	110,116,035	-	141,835,177	143,560,709
Total net assets	3,028,735	60,172,055	(14,121,546)	593,570	373,666,924	-	423,339,738	427,946,172
TOTAL LIABILITIES AND NET ASSETS	$ 8,898,606	$ 63,285,218	$ 440,925,346	11,756,785	$ 378,451,346	$ (1,593,387)	$ 901,723,914	$ 921,792,436

Buckner International and Subsidiaries

Consolidating Statement of Activities
for the Year Ended December 31, 2020
(With Comparative Totals For 2019)

	Buckner International	Buckner Children and Family Services, Inc.	Buckner Retirement Services, Inc.	Buckner FHC - Bachman Lake	Buckner Foundation	Eliminations	2020 Consolidated Total	2019 Consolidated Total
REVENUES								
Client support and related income	$ -	$ 12,766,021	$ 72,598,236	$ -	$ -	$ -	$ 85,364,257	$ 80,435,943
Investment income	149,745	740,630	2,238,775	5,515	24,696,654	-	27,831,319	29,162,938
Distributions from related foundation	11,247,891	17,660,605	247,895	-	-	(29,156,391)	-	-
Contributions								
Baptist General Convention of Texas	-	231,425	154,838	-	-	-	386,263	407,803
Individual and business gifts	-	12,367,025	361,633	-	293,270	-	13,021,928	13,851,235
Bequests	610,440	-	842,539	-	-	-	1,452,979	647,951
Gain (loss) on sales of real estate held for investment	38,480	-	-	-	-	-	38,480	2,535,360
Other	124,227	138,637	3,479,974	-	6,298	-	3,749,136	729,904
Administrative fees	6,223,851	-	-	-	-	(6,223,851)	-	-
Total revenues	18,394,634	43,904,343	79,923,890	5,515	24,996,222	(35,380,242)	131,844,362	127,771,134
EXPENSES								
Salaries and benefits	10,344,694	19,033,084	40,579,655	-	-	-	69,957,433	64,421,815
Supplies and direct expenses	18,344	13,488,387	12,096,649	-	-	-	25,603,380	24,477,649
Occupancy and insurance	1,916,113	3,901,487	10,318,911	-	35,560	-	16,172,071	14,921,132
Travel and transportation	118,635	468,668	288,178	-	-	-	875,481	2,536,163
Administration	4,929,316	5,382,403	7,211,205	-	78,790	(6,223,851)	11,377,863	11,475,917
Depreciation	210,738	1,241,478	11,649,641	691,414	-	-	13,793,271	10,319,296
Interest expense	31,614	3,829	18,352,798	157,013	-	-	18,545,254	9,644,831
Bad debt expense	-	-	246,612	-	-	-	246,612	204,429
Total expenses	17,569,454	43,519,336	100,743,649	848,427	114,350	(6,223,851)	156,571,365	138,001,232
Change in assets from operations	825,180	385,007	(20,819,759)	(842,912)	24,881,872	(29,156,391)	(24,727,003)	(10,230,098)
NONOPERATING ITEMS								
Net realized and unrealized gains (losses) on investments	-	264,691	1,773,709	-	15,588,155	-	17,626,555	60,541,327
Distributions to related entities	-	-	-	-	(29,156,391)	29,156,391	-	-
Other, net	(3,097,862)	3,156,437	2,244,536	-	190,903	-	2,494,014	(15,166,658)
Change in net assets	(2,272,682)	3,806,135	(16,801,514)	(842,912)	11,504,539	-	(4,606,434)	35,144,571
NET ASSETS, beginning of year	5,301,417	56,365,920	2,679,968	1,436,482	362,162,385		427,946,172	392,875,175
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	-	-	-	-	-	-	(73,574)
NET ASSETS, end of year	$ 3,028,735	$ 60,172,055	$ (14,121,546)	$ 593,570	$ 373,666,924	$ -	$ 423,339,738	$ 427,946,172